

# BALANCED FUND

Portfolio Manager: Brad Hinton, CFA

Investment Style: Conservative Allocation

The Balanced Fund's Institutional Class returned +4.04% for the second quarter compared to +4.08% for the Morningstar Moderately Conservative Target Risk Index. Year to date, the Fund's Institutional Class has returned +7.87% compared to +4.41% for the index.

Total returns well above inflation have helped our investors retain, and steadily build, wealth. Over a 10-year period, the Fund's Institutional Class has returned +7.33% annualized compared to +6.51% for the index.

Stock investors enjoyed another quarter of broad-based gains. While "growth tech" surged back into a familiar leadership position, most equity sectors posted healthy returns. Our companies continued to do well in an economic landscape filled with crosscurrents, and their stock prices generally followed suit. Bond returns were also modestly positive across fixed income sectors for the quarter.

Digital advertising giant Alphabet – parent company of Google – paced the Fund's quarterly contributors. Alphabet has an extremely powerful business model with multiple value drivers, a pristine balance sheet, and a stock that still trades at a moderately discounted valuation. Another top contributor, Danaher's stock hit new highs due to strong results and a bright multi-year outlook. Following last year's successful acquisition of Cytiva, the company announced a deal to buy privately held Aldevron with the intention of expanding its genomic medicine capabilities and reach. We expect Danaher's investments in long runway, durable strategic assets to help drive cash flows for many years. A number of other holdings delivered double-digit quarterly returns.

In addition to strong quarterly performance, Alphabet was also the largest year-to-date contributor with an exceptional 43% return, driven in part by the profitability of its services businesses and the upside potential of Google Cloud Platform. Other year-to-date contributors include Charles Schwab and LabCorp which both posted greater than 35% gains. A handful of other stocks also delivered greater than 20% year-to-date returns. Diversified industrial company Fortive was the lone detractor for both the quarter and year-to-date periods.

We added Roper Technologies to the portfolio during the quarter. Roper is a collection of 47 high-quality operating companies, with a unique, easily identified, and sustainable culture and capital allocation strategy. Weitz director of research Barton Hooper's high-level description of the Roper culture is "think long-term, do better than last year, drive organic growth, operate with complete transparency, and hire people better than you." The company is also well known for its Cash Return on Investment focus. This framework drives a disciplined acquisition program designed to surface very good businesses run by excellent managers who fit the decentralized culture.

Roper pivoted in recent years to niche software and marketplace companies, both fertile areas in which our research team is well versed. After the recent Vertafore software acquisition, the largest in Roper's history, our team refreshed our quality score and valuation of the company. We think Roper can grow revenues and cash flows at a healthy rate over our investing horizon, from a combination of organic growth, margin expansion and prudent capital deployment. With top-tier management and great raw material, Roper is well positioned to deliver solid returns to long-term owners.

As the economic recovery from the pandemic unfolds, our general approach has been to let our "crops" grow with little interference. Active management does not have to mean constant trading; rather, active management means staying constantly informed and actively choosing to keep owning what we own. We did trim a few holdings (Berkshire Hathaway, Charles Schwab, Oracle and Diageo) on price strength to manage position sizes. We also added a layer of three- and five-year Treasuries as yields increased in June. Our overall fixed income positioning remains quite defensive, with a duration of less than two years. If base rates and/or spreads rise, expect us to increase risk exposure prudently and with due caution.

The Fund's portfolio continues to evolve with market conditions. We own common equity stakes in 30 companies totaling 47.2% of net assets. High-yielding, hybrid securities represent another 2.8% of the Fund. Fixed income holdings include investment-grade corporate bonds (3.2%), securitized debt (9.8%), Treasury securities (28.1%), and cash equivalents (8.9%). We have plenty of capacity to lean into new opportunities as our team uncovers them.

We think the Fund remains well-positioned to provide long-term capital appreciation and capital preservation. Meaningful current income will be more challenging for the time being. As always, we encourage investors to evaluate the strategy on a total-return basis over longer time horizons.

## Value Matters: It's Not Supposed to be Easy

With stock valuations high, odds of continuing to earn strong returns in the short term may be low. But investors should stay focused on the long run and continue to take a patient, disciplined approach.

## Fixed Income Insights: When "Boring" Isn't Boring

Will inflation accelerate? Will the Fed tighten monetary policy? Will the stock market continue to fly into record territory? If there's anything certain in today's marketplace, it's that nothing is certain. In challenging fixed income environments like this one, the benefits of flexible, security-by-security investing are on full display.

**BALANCED FUND****Top Relative Contributors and Detractors**For the **QUARTER** ending 06/30/2021

TOP CONTRIBUTORS				
	Return	Average Weight	Contribution	% of Net Assets
Alphabet Inc. – Class C (GOOG)	21.16%	2.13	0.41%	2.2%
Danaher Corporation (DHR)	19.31%	1.77	0.32%	1.9%
Microsoft Corp. (MSFT)	15.15%	2.09	0.30%	2.2%
The Charles Schwab Corp. (SCHW)	11.96%	2.28	0.27%	2.2%
Charter Communications, Inc. (CHTR)	16.92%	1.58	0.25%	1.7%

TOP DETRACTORS				
	Return	Average Weight	Contribution	% of Net Assets
Fortive Corporation (FTV)	-1.18%	1.01	-0.01%	1.0%

Holdings are subject to change and may not be representative of the Fund's current or future investments. Contributions to performance are based on actual daily holdings. Returns shown are the actual returns for the specified period of the security. Additional securities referenced herein as a percent of the Fund's net assets as of 06/30/2021: Berkshire Hathaway Inc. (BRK.B) 2.2%; Diageo plc (DEO) 1.3%; Laboratory Corp. of America Holdings (LH) 2.2%; Oracle Corporation (ORCL) 1.4%; Roper Technologies, Inc. (ROP) 1.3%.

**Average Annual Total Returns**

AS OF 06/30/2021									
	YTD	1-year	3-year	5-year	10-year	Since Inception*	Inception Date	Net Expense	Gross Expense
Balanced Fund - Investor (WBALX)	7.77%	17.52%	10.00%	8.60%	7.30%	6.24%	10/01/2003*	0.85%	1.14%
Balanced Fund - Institutional (WBAIX)	7.87%	17.73%	10.11%	8.67%	7.33%	6.25%	03/29/2019	0.70%	0.95%
Morningstar Moderately Conservative Target Risk	4.41%	15.88%	9.53%	8.07%	6.51%	6.54%	-	-	-

\*Denotes the Fund's inception date and the date from which Since Inception performance is calculated.

The opinions expressed are those of Weitz Investment Management and are not meant as investment advice or to predict or project the future performance of any investment product. The opinions are current through 07/22/2021, are subject to change at any time based on market and other current conditions, and no forecasts can be guaranteed. This commentary is being provided as a general source of information and is not intended as a recommendation to purchase, sell, or hold any specific security or to engage in any investment strategy. Investment decisions should always be made based on an investor's specific objectives, financial needs, risk tolerance and time horizon.

**Data quoted is past performance and current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Please visit [weitzinvestments.com](http://weitzinvestments.com) for the most recent month-end performance.**

Investment results reflect applicable fees and expenses and assume all distributions are reinvested but do not reflect the deduction of taxes an investor would pay on distributions or share redemptions. Net and Gross Expense Ratios are as of the Fund's most recent prospectus. Certain Funds have entered into fee waiver and/or expense reimbursement arrangements with the Investment Advisor. In these cases, the Advisor has contractually agreed to waive a portion of the Advisor's fee and reimburse certain expenses (excluding taxes, interest, brokerage costs, acquired fund fees and expenses and extraordinary expenses) to limit the total annual fund operating expenses of the Class's average daily net assets through 07/31/2022.

The Net Expense Ratio reflects the total annual operating expenses of the Fund after taking into account any such fee waiver and/or expense reimbursement, if any; total returns would have been lower had there been no waivers or reimbursements.

Performance quoted for Institutional Class shares before their inception is derived from the historical performance of the Investor Class shares and has not been adjusted for the expenses of the Institutional Class shares, had they, returns would have been different.

Index performance is hypothetical and is shown for illustrative purposes only. You cannot invest directly in an index. The **Morningstar Moderately Conservative Target Risk Index** is an asset allocation index comprised of constituent Morningstar indices and reflects global equity market exposure of 40% based on an asset allocation methodology derived by Ibbotson Associates, a Morningstar company.

Credit ratings are assigned to underlying securities utilizing ratings from a Nationally Recognized Statistical Rating Organization (NRSRO) such as Moody's and Fitch, or other rating agencies and applying the following hierarchy: security is determined to be Investment Grade if it has been rated at least BBB- by one credit rating agency; once determined to be Investment Grade (BBB- and above) or Non-Investment Grade (BB+ and below) where multiple ratings are available, the lowest rating is assigned. Mortgage-related securities issued and guaranteed by government-sponsored agencies such as Fannie Mae and Freddie Mac are generally not rated by rating agencies. Securities that are not rated do not necessarily indicate low quality. Ratings are shown in the Fitch scale (e.g., AAA). Ratings and portfolio credit quality may change over time. The Fund itself has not been rated by a credit rating agency.

**Definitions: Investment Grade Bonds** are those securities rated at least BBB-.

**Consider these risks before investing:** All investments involve risks, including possible loss of principal. These risks include market risks, such as political, regulatory, economic, social and health risks (including the risks presented by the spread of infectious diseases). In addition, because the Fund may have a more concentrated portfolio than certain other mutual funds, the performance of each holding in the Fund has a greater impact upon the overall portfolio, which increases risk. See the Fund's prospectus for a further discussion of risks related to the Fund.

**Investors should consider carefully the investment objectives, risks, and charges and expenses of a fund before investing. This and other important information is contained in the prospectus and summary prospectus, which may be obtained at [weitzinvestments.com](http://weitzinvestments.com) or from a financial advisor. Please read the prospectus carefully before investing.**

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